



GOVERNMENT OF INDIA  
MINISTRY OF LABOUR

**REPORT OF  
THE  
COMMITTEE ON  
WORKERS' PARTICIPATION IN  
MANAGEMENT AND EQUITY**

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REPORT  
OF THE  
COMMITTEE ON WORKERS' PARTICIPATION  
IN MANAGEMENT AND EQUITY

(As adopted on the 25th November, 1978)

*1.0 Introduction*

1.1 In accordance with a recommendation of the Tripartite Labour Conference held in May 1977, the Government of India appointed, on the 23rd September 1977, a Committee under the Chairmanship of the Union Minister of Parliamentary Affairs and Labour to consider and recommend, among other matters, an outline of a comprehensive scheme of Workers' Participation at different levels of management in industrial establishments/undertakings, specially keeping in view the interests of (i) the national economy, (ii) efficient management and (iii) the workers. Initially, the Committee had 18 members, 3 representing State Governments, 2 the Central public sector, 3 the employers' organisations, 7 the Central workers' organisations and 3 academic institutions. Three more members were appointed in January 1978. Copies of the notification issued in this regard are at Annexures I, II and III.

1.2 The Committee held 5 meetings to complete its work. The first, second, third, fourth and fifth meetings were held on the 23rd January, the 3rd February, the 7th March, the 3rd April and the 25th November, 1978 respectively. Forty documents, some prepared by the Ministry of Labour, some by the members of the Committee and some by others, were circulated to the members. The issues for consideration of the Committee were listed in Document No. 2 (Extract at Annexure IV).

1.3 Shri P. K. Kurane sent a Note containing his views on the subject of workers' participation ; a copy of the Note is at Annexure V.

*2.0 General Discussion*

2.1 In his opening remarks at the first meeting of the Committee, the Chairman said that Government attached consider-

able importance to the Committee. Referring to the deliberations of the Tripartite Labour Conference held in May 1977, soon after the new Government had taken office, the Chairman recalled that even then the question of workers' participation had figured as one of the main items on the agenda. He also recalled that in the manifesto of the Janata Party the "formulation of a definite, clear and constructive scheme that would enable full, effective and meaningful participation of workers in the management of undertakings" was one of the commitments to the people. Thus, not only was the Government fully committed to the concept of workers' participation in management but it was in fact an article of faith with the Government. Any one who believed in democracy had to accept the principle of providing for full and effective participation of workers in management. He pointed out that the Constitution itself stressed the need to ensure full participation of workers in the management of industrial undertakings. He traced the efforts made in the last three decades to introduce workers' participation in management first through statutory Works Committees, then through Joint Management Councils and finally through the schemes enforced during the Emergency between July 1975 and February 1977. Despite the excellence of the idea, its relevance and its necessity, it was found that the manner in which it had been implemented had led to dissatisfaction. It was for three decades that the search had been going on to find an effective means of providing for the participation of workers in management. In one sense it could well be said that it was not a new idea or a new commitment but in another sense it could be claimed that the attempt which the Government was making at present was for something more than what had been done in the past because it was based on the evaluation and assessment of the experiments made in the past and that Government, the representatives of workers and the representatives of management had, on the basis of this evaluation, all come to the conclusion that the means and methods which were adopted in the past were not adequate to ensure effective participation by workers in management. The Chairman advised that the Committee must first clarify to itself the objectives which it wanted to achieve through a scheme of workers' participation in management. He hoped that, during its discussions, the Committee would take a pragmatic approach and not get bogged down on the different concepts of the ultimate structure that it visualised or the ultimate structure in which it believed. The Chairman drew the attention of the members to the various issues posed in paragraph 11 of Document No. 2 as well as to the

concept of trusteeship which he expected the Committee to cover in the course of its discussion.

2.2 The Committee had a general discussion at its first meeting when the members expressed their views on the concept objectives and the contents of participative management. It was expressed by one member that some of the developed countries had their own experience of the working of participative forums but each country must develop its own method to suit its special conditions. He also cautioned about the dynamics of one type formula vis-a-vis the plurality of flexible formulae which would ensure easier implementation in a vast country like India with diverse industrial forms and structures and uneven trade union development. It was also suggested that any scheme of workers' participation must be such as to involve all interest groups in an undertaking and that it should provide for free flow of basic information so as to inculcate responsible behaviour. Another member said that the issue of workers' participation in management could not be viewed in isolation of the total scenario of industrial relations in the country. He also said that if the experience gained through the voluntary schemes that were introduced over the last three decades could be any guide, a dash of statutory measure was necessary to make the scheme acceptable, but the law might define only the broad parameters and leave enough flexibility for the parties at the enterprise level to develop their own system depending upon the ethos, tone and milieu of industrial culture prevailing in each undertaking. Explaining the aim of the scheme, he said, that the basic objective should be augmentation of production and productivity, effective machinery for the resolution of conflict, democratisation of the work-process and safeguarding the interests of the society including consumers. He suggested that it was for the Committee to select which of these objectives would be most suitable for the country. He felt that for the success of any scheme of workers' participation there was need for sharing of information by the two sides and for this purpose a special cell be set up for disseminating adequate information. He also emphasised the need for a degree of training for both workers and management in the art or science of participative management. Another member said that both the management and the workers viewed the concept of workers' participation from different angles which were sometimes in conflict with each other ; he felt that the objective was much broader and it was not confined merely to increasing productivity or efficiency. He also said that there should not be any

dichotomy between workers and unions in the matter of representation as they were not separable.

2.3 A representative of the employers in the private sector felt that the objective of any scheme of workers' participation should be to develop industrial efficiency, create a sense of involvement in the work-process, generate a sense of discipline, democratise the decision-making process and develop closer relationship between workers and management and improve the quality of life at work and outside. He favoured a voluntary scheme being applied on a selective basis. A representative of the public sector said that the concept of participation was essential for proper involvement of workers in the work process and for releasing their latent energies. He also said that even if law was enacted for the scheme of workers' participation it should be made as flexible as possible to take care of the wide variety of industrial structures.

2.4 The representative of a State Government cited the instance of Kerala State Cashew Corporation where the workers' Directors were successfully managing the Corporation. He favoured a statutory scheme with powers to the State Governments to extend it to units with lesser employment if the law provided for any employment limit for the purpose of coverage. The representative of another State Government felt that the objective of any scheme was to see how the industry could be managed in the best possible manner. He also said that the scheme need not be implemented in isolation of the industrial relations scene and without assistance of the trade unions as only they could provide skilled and trained cadre. He cautioned that it could not serve the purpose if the unions were ignored in the scheme.

2.5 A representative of workers felt that a scheme of workers' participation should be such that it created a society which ensured social justice. He also said that workers were keen to participate from plant to the Planning Commission. Another representative of workers said that one of the main purposes of workers' participation was to improve the functioning of management and it was necessary as a corrective not only in the industrial relations field but also in the pure field of management. He did not consider it necessary to put any curbs on the functions of joint councils as management was concerned with all aspects whether it be collective bargaining or disciplinary action. He argued that the workers who had to carry out the instructions of the management were part and parcel of the management and must be consulted in all matters. Another represen-

tative of workers found the subject of workers' participation as fascinating which had been experimented with full heart, with half heart or without any heart' in various countries. He was confident that a scheme of workers' participation could work in the public sector efficiently and there should be participating in management at all levels including the board with the right of recall vested in the workers. He, however, visualised some resistance in the private sector. He thought that it was not desirable to aim at something very high and that only after gaining sufficient experience the concept need be extended to other levels in the private sector. Another workers' representative felt that the scheme of workers' participation should be a comprehensive one so as to cover all matters relating to purchase of raw materials, production, pricing, etc. Another representative advocated the need for total participation i.e. participation by all and in all kinds of functions. He felt that once a worker acquired experience he would contribute as much as the management. He commended the idea of trusteeship which he felt had not been given trial even at the place of its origin in Ahmedabad. He, therefore, felt that there was no justification for the general feeling that the concept was not workable. He argued that the concept of trusteeship was not merely an economic arrangement but it sought to create a new society which would be non-exploitative and egalitarian. He felt that unless participation was part of ideology or vision, industrial democracy was not possible and political democracy could not be considered stable unless there was democracy in other sectors of the society. A point was made that where there was no consensus Government may decide the matter after taking into consideration the various views expressed by the participants.

2.6 After detailed discussions, the Committee accepted that in any industrial society where conflict of interest was inherent and unavoidable, the trade unions had a very important role to play in protecting and furthering the rights and economic advantages of their constituents. Any institutional arrangement in such a system which ignored the vital role of trade unions and which diminished the efficacy of collective bargaining or eroded the authority of the collective bargaining agent was not likely to succeed and would not be beneficial to the ultimate interest of the working people. While in such a system, the primacy of the collective bargaining agent in promoting and advancing the collective interests of the workmen had to be assured, it was commonly recognised that there was a wide area in every enterprise where collaborative decision-making could take place for mutual benefit of different interest groups and of the common interests

of the enterprise as a whole. Such a system of consultative and joint decision-making ensured frictionless operation at the shop and plant levels, provided job satisfaction, released the latent creative energy of workers, reduced their alienation, enhanced the commitment of the workers and the line management to the common ideal of better performance and created a climate of peaceful cooperation at the shop and plant levels which in its turn resulted in a conducive base for tension-free and fruitful collective bargaining.

2.7 The participative arrangement that was being envisaged would, therefore, supplement and not supplant the conflict resolution machinery provided for under the Industrial Disputes Act or that might be provided for in the Comprehensive Industrial Relations Law. Hence it was necessary to define the area of participation and to provide for an institutional arrangement so that both the parties might have an opportunity for a face to face discussion and decision-making on matters of common interest regarding the health and growth of the organisation on which ultimately depended the basic interests of both the parties.

2.8 The role of the bargaining agent for securing economic advantages for its constituents by directly dealing with the management at the highest level would not be undermined by the participative institutional arrangement. In fact, the system would lend support to the bargaining process by taking away a large number of items of operational frictions which the bargaining agents had to handle at the apex level. The resolution of such frictions at the level at which these arise and smooth functioning of shops and the plants would enable the bargaining agents to plan their strategies for advancement of the interests of their constituents on long-term basis. This also would help in improving the operational efficiency and help establish a culture of cooperation at operational and collective bargaining levels.

2.9 The general consensus that emerged during discussions on various issues relating to participative management is mentioned in the succeeding paragraphs.

### 3.0 *Nature of the Scheme of Participative Management*

3.1 It was generally felt that as the experience of voluntary schemes of participative management in the past had not been very happy it was essential to introduce the scheme through legis-



lation, it was, however made clear that such a scheme should be made sufficiently flexible to allow different undertakings in different sectors to adapt it to suit their own requirements and peculiar conditions, in consultation with the workers, within the framework provided in the law.

3.2 It was also generally felt that no distinction need be made between the private, public or cooperative sector in the matter of introducing a scheme of workers' participation.

#### 4.0 *Structure*

4.1 The majority of the members favoured the adoption of a three-tier system of participation namely at the corporate level, plant level and shop-floor level. It was also suggested by some that wherever a shop was large-sized and comprised several distinct units or sections it might be desirable to have another tier at the work-centre so as to involve all the workers in that particular unit or section in the work organisation; but the management and workers should have the option whether or not to have such a tier. The employers' representatives of the private sector also favoured three-tier system in undertakings employing 1,000 or more workers but they did not favour participation at the board level. The workers' representatives on the other hand suggested a lower employment limit of 50 or 100, they also suggested that an additional criterion for coverage should be a specified level of investment or turnover of an undertaking. They also strongly urged that participation should be at all levels from the work centre to the corporate level. After further discussion, it was agreed that the scheme of participation should be introduced in undertakings employing 500 or more workers but there should be an enabling provision to extend it to others employing at least 100 workers.

4.2 It was suggested by a representative of the public sector that wherever there was already a practice of collective bargaining at the industry level, the question of setting up a participative forum at the industry level should also be considered. He also emphasised the need to develop a general culture of participation in any undertaking or establishment and not confine it to only the specified forums.

#### 5.0 *Representation of workers at corporate level/plant level/ shop-floor level.*

5.1 It was suggested by some that there should be an identity of interest between the collective bargaining agent and the

representatives at the various participative forums so that there might be no competition between them. However, it was later agreed that representatives at the participative forums should be elected through secret ballot.

5.2 It was considered desirable that the representatives should as far as possible be from amongst the workers employed in the shop or the plant, as the case may be. It was also suggested that it would be advantageous to provide interlinkages in the representation amongst the various forums.

5.3 There should be parity between the representatives of employers and workers on the participative forums at shop and plant levels. There was, however, no unanimity regarding the number of workers' representatives at the corporate level.

#### 6.0 *Representation of officers/executives (middle management) in participative bodies.*

6.1 It was generally felt that supervisors and the middle management should have representation in the participative forums so that they could be fully involved in the decision-making processes. It was urged by many participants that the idea that the officers *ipso facto* were part of the management in the real sense of the term was not correct. Even among the professional managements there was a hierarchy of professionals from supervisors upwards and it was thought desirable and necessary that such supervisory and middle management cadre should have separate representation in the participative forums. It was strongly urged by a few that participation of the management cadre could be effective only if security of service was assured to the supervisory and middle management personnel. The employers in the private sector, however, did not subscribe to the idea of giving separate representation as they considered that these persons formed part of the management and if they had separate representation it was likely to create practical difficulties in the management of an undertaking. A view was also expressed that the representatives of the management in the participative forums should be of such a level as could take decisions on matters coming up at the forums.

#### 7.0 *Functions*

7.1 It was generally agreed that participative arrangement might cover the following functions and levels.

### 7.1.0 Shop Level

7.1.1. Issues having commonality amongst various centres such as common production facilities, storage facilities in a shop, material economy, errors in documents, operational problems, wastage control, hazards, safety problems, quality improvement, monthly targets and production schedules, review of utilisation of critical machines, cost reduction programmes, technological innovations in the shop, formulation and implementation of work system design, group working, multiple skills development and welfare measures related particularly to the shop.

### 7.2.0 Plant Level

#### 7.2.1. Operational areas—

- (i) Evolution of productivity schemes taking into account the local conditions.
- (ii) Planning, implementation, fulfilment and review of monthly targets and schedules.
- (iii) Materials supply, shortfall, quality of inputs, ancillaries, bought-out items, etc.
- (iv) Storage and inventories, analysis of decisions on accumulation of inventories of raw materials, process materials and finished products.
- (v) Housekeeping.
- (vi) Improvements in productivity, general and in critical areas in particular.
- (vii) Encouragement to and consideration of suggestions.
- (viii) Quality and technological improvements.
- (ix) \*Sharing gains of productivity arising out of an innovation made in any shop.
- (x) Design development, inspection, rectification, machine utilisation, process development, knowledge and development of new products.
- (xi) Operational performance figures and order book position.

\*The employers' representative suggested that this matter pertained to collective bargaining.

- (xii) Matters not resolved at the shop level or concerning more than one shop.
- (xiii) Review of the working of the shop councils.
- (xiv) Cost reduction including value analysis, method improvements.

#### 7.2.2 *Economic and financial areas—*

- (i) \*Incentives.
- (ii) Budget, profit and loss statements, balance sheets.
- (iii) Review of operating expenses, financial results, cost of sales.
- (iv) Plant performance in financial terms, labour and managerial costs, market conditions, etc.
- (v) Review of overtime.

#### 7.2.3 *Personnel matters—*

- (i) Absenteeism.
- (ii) Implementation of policy and criteria regarding transfers and promotion.
- (iii) Employment of casual and temporary labour and special problems of women workers.
- (iv) Initiation and supervision of workers' training programmes.
- (v) Administration of social security schemes.

#### 7.2.4 *Welfare areas—*

- (i) Operational details.
- (ii) Implementation of welfare schemes, medical benefits and transport facilities.
- (iii) Safety measures.

\* The employers' representative suggested that this matter pertained to collective bargaining.

- (iv) Sports and games.
- (v) Housing policy.
- (vi) Township administration, canteen, etc.
- (vii) Control of gambling, drinking, indebtedness, etc.

#### 7.2.5 *Environmental areas—*

- (i) Extension activities and community development projects.
- (ii) Pollution control.

#### 7.30 *Corporate/Board Level*

7.3.1 Issues relating to finance, wage structure, fringe and other benefits, bonus, housing, medical facilities, overall recruitment and personnel policies and norms and resolution of disputes pertaining to the area of collective bargaining would be dealt with by the normal collective bargaining processes as may be provided for in the proposed Comprehensive Industrial Relations Law.

7.3.2. At this level, some of the following issues which normally constitute the agenda and business of the Board may be taken up for discussion :

- (i) Introduction of new technology.
- (ii) Expansion schemes.
- (iii) Export strategy.
- (iv) Product mix.
- (v) Review of the working of the councils at shop floor and plant levels.
- (vi) Decisions on matters not settled at the councils at the plant level.
- (vii) All problems regarding decisions at macro-level referred to by the plant councils.

7.4 The above list of functions at various levels was only a guideline. The management and the workmen at the enterprise level might mutually decide and adapt these with such

modifications as might be necessary to suit their local conditions/requirements.

7.5 The participation envisaged in the preceding paragraphs included full sharing of information to enable joint decision-making and in certain areas joint administration. It also envisaged collective formulation of policies and norms as well as review of the executive and administrative actions with a view to bringing about overall improvements within the broad policies and norms jointly agreed upon at the participative forums. The executives would have the freedom to execute and administer the policies and decisions arrived at jointly but such administrative and executive actions could be reviewed in the participative forums periodically.

## 8. *Equity participation*

8.1 It was strongly expressed by the workers' representatives that the concept of equity participation should not be applicable to the public sector as it would only dilute the character of State ownership and that the concept was relevant only in the context of private sector. It was also stated by the representatives of workers and a State Government that equity participation was no substitute for workers' participation in management. The majority view was that participation in equity should be optional and should not be looked upon as a legal means to ensure participation in management. It was generally agreed that not less than 10 per cent of all new shares issued in future by a company should be reserved exclusively as workers' shares and should be offered first to the workers of that company ; where they do not purchase the shares, these may be offered to others. A view was expressed that when bonus shares were issued by capitalising the reserves a part of it should be earmarked for the workmen ; the employers' representatives strongly objected to this suggestion.

## 9.0 *Monitoring agency*

9.1 It was generally agreed that there should be an organisation both at the Centre and in the States to monitor the implementation of the scheme of workers' participation in management and also to review its working. It was suggested by some that such machinery should be tripartite and should include professional experts.

## 10.0 Trusteeship

10.1 It was decided that this subject should be discussed fully at subsequent meetings of the Committee.

1	2	3
<i>Sd.</i> (Ravindra Varma) (Chairman)	<i>Sd.</i> (N.M. Barot)	<i>Sd.</i> (V. Krishnamurthy)
<i>Sd.</i> (P.L. Kapoor)	<i>Sd.</i> (R.N. Srivastava)	<i>Sd.</i> (R.C. Gupta)
<i>Sd.*</i> (R.M. Bhandari)	<i>Sd.*</i> (R.H. Mody)	<i>Sd.</i> (K.G. Khosla)
<i>Sd.</i> (K.P. Tripathi)	<i>Sd.††</i> (Y.D. Sharma)	<i>Sd.</i> (Ram Desai)
<i>Sd.</i> (N. Sreekantan Nair)	<i>Sd.†††</i> (P.K. Kurane)	<i>Sd.</i> (N.C. Ganguli)
<i>Sd.</i> (R.M. Shukla)	<i>Sd.</i> (Nitin R. De)	<i>Sd.</i> (S. Chandra)
<i>Sd.</i> (Krishan C. Sethi)	<i>Sd.</i> (P.S. Chinnadurai)	<i>Sd.</i> (Govindrao Deshpande)
<i>Sd.</i> (Sugna K. Bhatt)		

\*Subject to the comments that where there is a recognised bargaining agent, it should be authorised to nominate representatives to participative forums (para 5.1), and that matters covered by items (ii) & (iii) of para 7.2.3 relate to collective bargaining.

††Subject to the Note at Annexure V.

†Subject to the Note at Annexure VI.

††Subject to the Note at Annexure VIII.

## ANNEXURE I

### MINISTRY OF LABOUR (SHRAM MANTRALAYA)

Dated New Delhi, the 23rd September, 1977

### RESOLUTION

No. L-56011/477-DK. I(B).—In pursuance of a recommendation of the Tripartite Labour Conference held on the 6th-7th May, 1977 the Government of India have decided to set up a Committee on Workers' Participation in Management and Equity consisting of the following persons :—

#### *Chairman*

Shri Ravindra Varma,  
Minister of Labour and Parliamentary Affairs.

#### *Members*

1. Shri P. V. Bhatt,  
Labour Secretary, Gujarat.
2. Shri V. Krishnamurthy,  
Labour Commissioner, Kerala,
3. Shri C. D. Khanna,  
Labour Commissioner, Punjab.
4. Shri R. N. Srivastava,  
Central Public Sector.
5. Shri R. C. Gupta,  
Central Public Sector.
6. Shri R. M. Bhandari,  
Employers' Federation of India.
7. Shri R. H. Mody,  
All India Organisation of Employers.
8. Shri K. G. Khosla, (Alternate—Shri K. V. Sreenivasan), All India Manufacturers' Organisation.



9. Shri K. P. Tripathi,  
Indian National Trade Union Congress.
10. Shri Y. D. Sharma,  
All India Trade Union Congress.
11. Shri Ram Desai,  
Hind Mazdoor Sabha.
12. Shri N. Sreekantan Nair, M.P.,  
United Trade Union Congress.
13. Shri P. K. Kurane,  
Centre of Indian Trade Unions.
14. Shri N. C. Ganguli,  
Bhartiya Mazdoor Sangh.
15. Shri R. M. Shukla,  
National Labour Organisation.
16. Professor Nitish R. De.
17. Dr. S. Chandra,  
Administrative Staff College, Hyderabad.
18. Dr. Krishan C. Sethi,  
Indian Institute of Management, Calcutta.

2. The secretariat will be provided by the Ministry of Labour.

3.1. The terms of reference of the Committee will be as follows:—

3.2 Recognising the need for the participation of workers at different levels of management in industrial establishments/undertakings, to consider and recommend an outline of a comprehensive scheme of such participation, specially keeping in view the interests of the national economy, efficient management and workers.

3.3.1 The Committee will in particular consider and recommend:—

3.3.2 Whether there should be a statutory scheme for workers' participation in management which should replace the existing statutory works committee and any other similar committee functioning in a plant/unit;

3.3.3 Whether the proposed scheme should cover in addition to management at shop and plant levels, the higher levels of management also e.g. the Board of Directors ;

3.3.4 Whether the proposed scheme should be applied to all types of industrial establishments/undertakings or only to some specified categories of such establishment/undertakings employing a prescribed number of employees; if so, what should be the criteria in this regard ;

3.3.5 To what extent, and in what manner, can the concept of trusteeship in industry be given a practical shape in the proposed scheme of workers' participation ;

3.3.6 Whether and to what extent and in what manner participation by workers in the equity holdings of industrial establishments/undertakings should be encouraged or provided for ;

3.3.7 Whether there should be a special machinery for ensuring implementation of the scheme at Central State level and for evaluating their working; if so, what should be the nature of such a machinery.

4. The Committee will submit its report within a period of two months.

5. The Committee will devise its own procedure and may call for such information and take such evidence as it may consider necessary.

#### ORDER

ORDERED THAT the Resolution be published in the Gazette of India, Part I, Section 1.

ORDERED also that a copy of the Resolution be communicated to all Ministries/Departments of the Government of India, State Governments/Administrations of Union Territories and all others concerned.

Sd/-

(D. Bandyopadhyay)  
Joint Secretary.  
23-9-1977

ANNEXURE II  
GOVERNMENT OF INDIA  
BHARAT SARKAR  
MINISTRY OF LABOUR  
(SHRAM MANTRALAYA)

Dated New Delhi, the 9th January, 1978

SUPPLEMENTARY RESOLUTION

No. L-56011/4/77-DK. 1(B).—The Government of India by their Resolution of even number dated the 23rd September, 1977 set up a Committee on Workers' Participation in Management and Equity comprising 18 members under the chairmanship of the Union Minister of Labour. Government have since decided to nominate the following persons also as members of the Committee :

19. Shri P. S. Chinnadurai,  
Hind Mazdoor Panchayat.
20. Shri Govindrao Deshpande.
21. Kumari Sugna K. Bhatt.

Sd/-  
(D. Bandyopadhyay)  
Joint Secretary.

ORDER

**ORDERED THAT** the Supplementary Resolution be published in the Gazette of India, Part I, Section 1.

**ORDERED** also that a copy of the Supplementary Resolution be communicated to all Ministries/Departments of the Government of India, State Governments/Administration of Union Territories and all other concerned.

Sd/-  
(D. Bandyopadhyay)  
Joint Secretary  
9-1-1978

### ANNEXURE III

#### GOVERNMENT OF INDIA

(BHARAT SARKAR)

#### MINISTRY OF LABOUR

(SHRAM MANTRALAYA)

New Delhi, the 1st February, 1978

#### RESOLUTION

No. L-56011/4/77-DK. I(B).—The Government of India by their Resolution of even number dated the 23rd September, 1977, read with Supplementary Resolution of even number dated the 9th January, 1978, set up a Committee on Workers' Participation in Management and Equity comprising 21 members under the chairmanship of the Union Minister of Labour. Government have since decided to nominate Shri N.M. Barot, Labour Minister, Gujarat as a member of the Committee, in place of Shri P.V. Bhatt, Labour Secretary, Gujarat.

Sd/-

(D. Bandyopadhyay)

Joint Secretary.

1-2-1978

#### ORDER

ORDERED THAT the Resolution be published in the Gazette of India Extraordinary, Part I, Section 1.

ORDERED also that a copy of the Resolution be communicated to all Ministries/Departments of the Government of India, State Governments/Administrations of Union Territories and all others concerned.

Sd/-

(D. Bandyopadhyay)

Joint Secretary.

1-2-1978

**ANNEXURE IV**  
**COMMITTEE ON WORKERS' PARTICIPATION IN**  
**MANAGEMENT AND EQUITY**

(Second Meeting—February 3, 1978)

Extracts from Document No. 2.

**Issues for consideration**

11. Arising out of the experiences in the working of the existing schemes in different undertakings, both in the public and the private sector, and consistent with current policy of giving labour a "fair new deal" and fulfilling their legitimate aspirations of share in profits, management and equity the following issues arise for consideration :—

**(1) *Nature of the scheme of participative management***

Should a scheme of participative management be brought forward, on a voluntary basis, as at present, or should it receive statutory sanction by incorporating it in the proposed comprehensive law on industrial relations ?

**(2) *Structure***

Should the present two-tier system of participative management at shop floor and plant levels be continued or Should it be enlarged so as to provide a three-tier system at (a) corporate level, (b) plant level and (c) shop floor level ?

**(3) *Representation of workers at shop level/plant level/corporate level***

- (a) Should the workers at the shop/plant level/corporate level be selected through nomination by the recognised union or through direct election by all the workers as in the case of works committees ?
- (b) What should be the strength of workers' representatives at the board level? Should there be only one representative of more than one ?
- (c) Should the present practice of leaving it to the management to decide the number of representatives of wor-

kers for a shop council or joint council in consultation with the recognised union/registered union/workers, as the case may be, be continued ?

- (d) Should one procedure for selection be adopted for the plant and shop floor levels only and another for the corporate level ?

(4) *Representation of officers/executives (middle management) in participative bodies*

The schemes, as at present exist, have no separate representation for the categories of officers/executives (officers of middle management who are not included in the category of workers) in the participative bodies.

- (a) Should there be separate provision/reservation of seats to cover these categories also ?  
(b) If so, what should be their number ?

(5) *Functions*

In respect of work-related and interest-related issues could the following pattern be a feasible one?

*A—Interest-related issues*

(a) *Plant level*

The following could be some of the issues for effective decision-making and implementation :

- sharing the gains of productivity ;
- evolution of productivity schemes taking into account the local conditions ;
- collective and individual grievances ;
- disciplinary actions;
- transfers, etc.;
- cases of threatened lock-out, strike, which may then go to, if not resolved at the local level, to the corporate level council;
- safety, transport, canteen, welfare schemes, within the overall budgetary limits laid down by the corporate council.

(b) *Corporate level*

Issues of collective bargaining such as wage structure, fringe and other benefits, bonus, housing, medical, overall recruitment and personnel policies, norms of discipline, resolution of disputes.

**B—Work-related issues**(a) *Shop level*

Issues having commonality amongst various work centres such as common production facilities, storage facilities in a shop, material economy, errors in documents, operational problems, wastage control, hazards, safety problems, quality improvement, absenteeism, monthly targets and production schedules, review of utilisation of critical machines, cost reduction programme, technological development in the shop, formulation and implementation of work system design, group working, multiple skills development and welfare measures.

(b) *Plant level*(i) *Technical areas :*

- planning, implementation, fulfilment and review of monthly targets and schedules—(joint decision-making).
- materials supply, shortfall, quality of inputs, ancillaries bought-out items, etc.—(joint decision-making).
- Storage and inventories, analysis of decisions on accumulation of inventories of raw materials, process materials and finished products—(joint decision-making).
- housekeeping—(joint decision-making).
- improvements in productivity, general and in critical areas in particular—(joint decision-making).
- encouragement to and consideration of suggestion—(joint decision-making).
- quality and technological improvements—(consultative/joint decision-making).
- design development, inspection, ratification, machine utilisation, process development, knowledge and development of new products—(consultative).

- performance figures, order book position, profit and loss statements, balance sheets—(consultative).
- all policy decisions by the corporate group—(information sharing).

(ii) *Economic areas*

- incentives, cost reduction including value analysis, method improvements—(joint decision-making).
- budget, review of working of current incentive schemes, review of operating expenses, financial results, cost of sales, etc.—(consultative).
- Plant performance in financial terms, labour and managerial costs, market conditions, etc.—(information sharing|consultative).
- review of overtime, employment of casual and temporary labour and special problems of women workers
- (joint decision-making).

(iii) *Welfare areas*

- operational details, implementation of welfare schemes, medical benefits, safety measures, transport facilities, sports and games, township administration, education and training, career development, canteen, absenteeism, etc.—(joint decision-making).

(iv) *Environmental areas*

- extension activities and community development projects, pollution control, control of gambling, drinking, etc.—(joint decision-making).
- development of ancillary units and sub-contracting—(joint decision-making).

(c) *Corporate level*

- new projects:
- introduction of new technology ;
- expansion schemes ;
- export strategy :
- product mix:



(To begin with, information sharing and consultation may be done and joint decision-making may be introduced after some time).

- review of the working of the councils at shop floor and plant levels.
- decisions on matters not settled at the councils at plant levels.
- all problems regarding decisions at a macro-level referred to by the plant councils.

#### (6) *Equity Participation*

What are the alternative schemes that can be considered for participation by workers in the equity/capital structure of industrial undertakings in which they are employed ?

#### (7) *Monitoring agency*

Should there be a separate machinery at the Centre/State for monitoring the implementation of the schemes and reviewing the work and undertaking evaluation at periodic intervals ?

12. The Conference may offer its views on the various points made in the preceding paragraph and also make any other suggestions to enable Government to formulate a comprehensive scheme which could secure more purposeful and effective workers' participation.

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ANNEXURE V

NOTE  
ON  
DRAFT REPORT  
OF THE  
COMMITTEE ON WORKERS' PARTICIPATION  
IN MANAGEMENT AND EQUITY

By P. K. KURANE (C. I. T. U.)

Member of the Committee.

At the outset I regret to state that due to ill health and preoccupation I could not take part in the deliberations of the Committee and as such I am not a party to the note said to be prepared on the basis of consensus. In view of the fact that certain points have not been clearly brought out in the note, I am submitting this note.

I agree with the formulation in the note that "In any industrial society where conflict of interest was inherent and unavoidable . . . . would not be beneficial to the ultimate interest of the working people". (Para 2.6) But this is not all. The workers are suspicious of this scheme as they apprehend that they are being inveigled in a scheme for more productivity and profitability of the concern. The experience of schemes of participative management in Great Britain, West Germany, France and Italy has shown that the employers have always utilised these schemes to increase productivity and add to their profitability. These schemes had become instruments of collaboration and were meant to blunt the edge of workers' struggle. Hence workers organisations in these countries are increasingly coming out of these schemes.

The previous history of this scheme in our country shows that neither the Government nor the Employers were serious about the scheme at all. The present Government if it is at all serious about genuine participation, must draw up the scheme

smashing the master-servant relations which has been existing and base it in complete equality, which means that the workers must have the right to have a say, based on equality, on every aspect of the industry including its finance, its purchasing policy, raw materials, equipments etc. The workers must have access to all records and would have the power to initiate enquiries about corruption, supply of substandard materials and equipments etc.

It is further necessary that in other spheres also the unequal status between the employer, the management and the worker should be removed. The standing order, the concept of discipline, the arbitrary powers of the management for hiring and firing—all these reduce the worker to the status of a slave and there cannot be equal partnership so long as this status exists. Besides in the Public Sector, the worker is virtually a prisoner with Industrial Security force hovering round him.

Finally it is necessary that certain minimum living economic conditions like need based minimum wage or at least a time-bound programme for the same should be guaranteed to the worker before he is called upon to contribute his best to running the industry. There must be ban on retrenchment superannuation and lay-off consequent upon any rise in production due to these measures. They should also be protected against vindictive action of the management for questioning their actions. It is futile to talk about workers' participation with a starving wage and with a status of a slave.

It is the firm opinion of C. I. T. U. that without ensuring such equal status, the objective of the scheme cannot be achieved just by putting a worker or two on the Board of Directors. There must be equal number of Directors on the Board from the workers side and with equal powers.

All representatives of the workers must be elected through secret ballot of the workers at the floor level or plant level or industry level with workers having the right to recall. The workers must have full trade union rights which should be extended to the floor level.

If the workers' rights inside the plant and genuine participation in the scheme is to be made real and effective and not illusory or deceptive, provision for the above, based on complete equality has to be made.

I therefore suggest that suitable amendments may please be made in the note on the basis of the views expressed herein or this note be circulated along with the decisions of the Committee.

**ANNEXURE VI**  
**COMMENTS ON THE REPORT OF THE COMMITTEE ON**  
**WORKERS' PARTICIPATION IN MANAGEMENT**

By R. M. BHANDARI

**MEMBER OF THE COMMITTEE**

In evolving a scheme for workers' participation in management the following three factors should be taken into consideration :—

- (i) Objectives of participative management.
- (ii) Reasons for the failure of earlier efforts and precautions against the recurrence of same or similar reasons.
- (iii) Pre-requisites for the success of participative management.

The objectives, as spelt out in the terms of reference of the Committee, appear to be the augmentation of production and productivity keeping in view the interests of (a) the national economy, (b) efficient management and (c) the workers. Introduction of a scheme for workers' participation in management should, therefore, be viewed as a means to achieve this objective and not as an end itself.

There is no evidence on record nor has it been suggested from any quarter that earlier attempts at participative management (e.g. works committee or joint management council) failed due to the absence of workers' representatives on the Board. Therefore, the contention that participative management, in order to be effective, must be based on a three-tier system has no supporting historical background nor any convincing logic.

The Committee discussed at length the role of trade unions in protecting and furthering the rights and economic advantages of their constituents. The Committee stressed and accepted the need for maintaining and strengthening this vital role of the trade unions and consequently agreed that the participative forums of the proposed scheme should never be allowed to usurp the role of collective bargaining. Paragraphs 2.6 to 2.8 of the "Draft Report" circulated by the Ministry of Labour with its letter No. L. 56011/1/78-DK.I(B) of 6-6-78 has faithfully summarised the consensus of the Committee in this respect. It is evident from this consensus that the forums to be created under the proposed

scheme for workers' participation in management would only deal with work-related issues and not with the interest-related issues which are in the domain of collective bargaining to be exclusively handled by the recognised bargaining agent.

In this context it was, therefore, also agreed that the institution of a bargaining agent by way of a recognised union was a pre-requisite for a stable industrial relations climate which would be necessary for successful participative management. It is, therefore, surprising that the scheme for participative management, as outlined under Paragraphs 4 to 7 of the Draft Report, should run counter to the consensus of the Committee (vide paragraphs 2.6 to 2.8 of the Draft Report) and be based on individual member's assertions, observations or inhibitions.

It is well-known that work-related issues generally arise at the shop/plant levels and these are hardly discussed or decided at the Board level. In such circumstances the concept of a three-tier system of participative management is unrealistic and unnecessary. It will, therefore, be judicious to introduce workers' participation in management initially at the shop and plant levels and leave the matter of workers' representation on the Board to the process of evolution depending on the industrial relations climate as well as the effectiveness of participation at lower levels where work-related issues mainly predominate.

It is also worth pointing out that the operational areas envisaged in paragraphs 7.2.2 and 7.2.3 of the Draft Report should be further reviewed and, if necessary, redesigned so as to ensure that the collective bargaining functions are not mixed up with participative management in an indirect manner in the name of information-sharing. Ordinarily there should be no objection to sharing of information in participative forums, but controversial issues which may lead to collective bargaining should be avoided as far as practicable. Particular attention in this connection is drawn to item Nos. (ii), (iii) and (iv) of paragraph 7.2.2 and item Nos. (ii) and (iii) of paragraph 7.2.3 of the Draft Report.

Subject to the comments made above on the question of workers' participation at the Board level. I would like to emphasize that item Nos. (v), (vi) and (vii) of paragraph 7.3.2 of the Draft Report would only encourage the forums at the shop/plant levels not to exercise decision making function at their respective levels and refer the issues for final determination at the Board level. This will strike at the root of participative management because it will weaken the effectiveness of the forums at the lower levels and reduce them to mere communicating forums without decision making ability.

Sd/- R. M. BHANDARI

## ANNEXURE VII

### COMMENTS OF THE REPORT OF THE COMMITTEE ON WORKERS' PARTICIPATION IN MANAGEMENT AND EQUITY

By Y. D. SHARMA

#### MEMBER OF THE COMMITTEE

Due to some unavoidable reasons I was not able to attend the meeting of the committee held on 25th November, 1978 in which the report was adopted. On going through the report I find that, on the whole, it is a fair presentation of the views that had been expressed in the various meetings of the committee. But there are a few points which have been passed over while summarising the discussion.

The first of these points concerns the distinction between the public sector and the private sector.

The report says that "It was also generally felt that no distinction need be made between the private, public or co-operative sector in the matter of introducing a scheme of workers' participation." (Para 3.2)

I am not in agreement with the conclusion embodied in para 3.2 of the report for the following reasons.

#### *Distinction between the Public Sector and the Private Sector*

In my opinion, it is not desirable to place the public sector on par with the private sector in the matter of workers' participation in the management. There are vital differences between the two sectors and it would not be correct to ignore them.

In the private sector the aim of the management is to make the maximum profit. Everything also is subservient to that aim. There is, therefore, a basic conflict between the objectives of the management and the objectives of the workers. This naturally imposes serious limitations on workers' participation in the management of private sector. The situation is further worsened by the well known fact that many illegal, unethical and anti-

social methods and practices are prevalent in many parts of the private sector creating the problems of black money.

In the case of the public sector, on the other hand, the management and the workers have several common objectives. These are : provision of efficient and economical service to the people, generation of the employment, development of backward areas of the country, maintaining prices at reasonable levels, increasing economic self-reliance, etc. This extends the area and scope of joint consultation and decision making. Of course there are certain public sector managements who are no different from any private sector management and who would like to run the public sector as their private empire. But the public sector as a whole provides a very fruitful ground for the meaningful participation of workers in its management at all levels.

The AITUC had put forward a scheme for effective workers' participation in the management of public sector enterprises as far back as 1973. The Parliamentary Committee on Public Sector Undertakings also strongly recommended such participation. A Committee on Central Trade Union Organisations set up by the Ministry of Industry last year also made a similar recommendation.

Past experience also shows that whereas schemes for workers' participation in the management have mostly ended in failure in the private sector, they have proved beneficial in a number of public sector units as was clear from the observations of public sector managements in the Committee.

It would, therefore, be better to recognise the fact that the policy of workers' participation in the management has much greater relevance in the case of the Public Sector where profits are not appropriated privately and the entire operation of the enterprise is subject to parliamentary supervision and control.

In this connection I must state that I do not agree with the observation of my colleague on the Committee, Mr. P. K. Kurane who has characterised the public sector worker as "virtually a prisoner with industrial security force hovering round him". I am also opposed to the employment of such a "security force" in the public sector. It is like a police force and has, in several instances, behaved atrociously towards the industrial workers. But that does not justify such a sweeping statement about the workers in the public sector who have given a good account of their trade union consciousness and capacity to defend the public sector against its detractors and enemies.

### *ISSUES OF COLLECTIVE BARGAINING.*

Several items have been listed in the issues to be covered by the participative machinery, which appropriately belong to the sphere of collective bargaining. These should be excluded and left to be handled by the appropriate trade unions during collective bargaining. Such issues are :

- Evolution of productivity schemes ;
- Sharing gains of productivity ;
- Incentives ;
- Introduction of new technology including Computers or technological improvements.

### *PROTECTION OF WORKERS' REPRESENTATIVES.*

An unfortunate omission in the Report relates to the protection of workers' representative taking part in the participative machinery at various levels. Things being as they are, such representatives are likely to incur, at times, the hostility and opposition of management personnel. What are the safeguards against the harassment, by various means, and even victimisation in various forms of such workers' representatives ? Adequate provision to safeguard their independence from management pressures and to ensure their protection against any harassment and victimisation must be made in the scheme, if it is intended to be a real participation in the management and not degenerate into a mere rubber stamping operation.

सत्यमेव जयते

Sd/  
(Y. D. SHARMA)

24th March, 1979.